

OPEN MEETING ITEM

ORIGINAL

COMMISSIONERS
GARY PIERCE, Chairman
BOB STUMP
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ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

12 MAR 30 A 9:43



AZ CORP COMMISSION
DOCKET CONTROL

ARIZONA CORPORATION COMMISSION



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DIRECTOR

SECURITIES DIVISION
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Phoenix, AZ 85007
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MEMORANDUM

TO: Gary Pierce, Chairman
Bob Stump
Sandra D. Kennedy
Paul Newman
Brenda Burns

FROM: Matthew J. Neubert *MJ*
Director of Securities

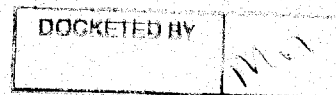
DATE: March 30, 2012

RE: *In re G4i Capital Partners, Inc.*, Docket No. S-20833A-12-0031

CC: Ernest G. Johnson, Executive Director

Arizona Corporation Commission
DOCKETED

MAR 30 2012



Attached for your consideration is a proposed "Order To Cease And Desist, Order For Administrative Penalties And Consent To Same" ("Order") executed by Respondent G4i Capital Partners, Inc. (a.k.a. "GCFI Group") ("Respondent").

The Order finds that Respondent improperly offered and sold investments within and from Arizona to raise money to fund its government contracting and consulting business through internet websites at www.governmentcontractfunding.com and www.gcfinvestmentgroup.com. After viewing Respondents' websites, an Arizona couple purchased an investment totaling \$17,000. Respondent repaid the Arizona investors a total of \$19,181, and Respondent de-published the websites after the Division began its investigation.

The order finds that Respondent violated A.R.S. §§ 44-1841 and 44-1842 by offering and selling unregistered securities in the form of investment contracts and notes.

The Order requires Respondent to permanently cease and desist from violating the Securities Act and pay a \$2,500 administrative penalty. Respondent has already provided the Division with a check in the amount of \$2,500 towards satisfaction of the recommended penalty amount. The Division recommends the Order as appropriate, in the public interest and necessary for the protection of investors.

Originator: Mike Dailey

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 GARY PIERCE, Chairman
4 BOB STUMP
5 SANDRA D. KENNEDY
6 PAUL NEWMAN
 BRENDA BURNS

7 In the matter of:) DOCKET NO. S-20833A-12-0031
8 G4i CAPITAL PARTNERS, INC. (a.k.a.) DECISION NO. _____
9 "GCFI GROUP"), a Delaware corporation,)
10 Respondent.) ORDER TO CEASE AND DESIST, ORDER
) FOR ADMINISTRATIVE PENALTIES AND
) CONSENT TO SAME BY
) RESPONDENT G4i CAPITAL PARTNERS,
) INC.

13 Respondent G4i CAPITAL PARTNERS, INC. (d.b.a., a.k.a. "G4i" and "GCFI GROUP")
14 ("G4i") ("Respondent") elects to permanently waive any right to a hearing and appeal under
15 Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act")
16 with respect to this "Order To Cease And Desist, Order For Restitution, [and] Order For
17 Administrative Penalties..." ("Order"). Respondent admits the jurisdiction of the Arizona
18 Corporation Commission ("Commission"); neither admits nor denies the Findings of Fact and
19 Conclusions of Law contained in this Order; and consents to the entry of this Order by the
20 Commission.

21 **I.**

22 **FINDINGS OF FACT**

23 1. Respondent G4i CAPITAL PARTNERS, INC. (a.k.a. "GCFI GROUP")
24 ("Respondent"), was incorporated as a Delaware corporation on June 5, 2009. At all relevant
25 times, Respondent issued, offered and sold the "high yield investments" discussed below.

26 2. Respondent has not been registered by the Commission as a securities dealer.

1 **A. Respondent's Government Contract Funding Business**

2 3. At all relevant times, Respondent represented to offerees and investors within
3 Arizona that Respondent is engaged in the business of providing assistance and funding to persons
4 and entities who have executed government procurement and service contracts ("Contract(s)")
5 (collectively, the "Business").

6 4. As generally explained on the home page of Respondent's website at
7 www.governmentcontractfunding.com ("First Website") from approximately July 2011 to at least
8 September 14, 2011:

9 G4i...is a specialty lender and strategic partner for Federal Government contractors
10 only. We provide short term loans to businesses that have secured a Federal
11 Government contract and need operating capital and an experienced team to
12 perform all the tasks for the contract.

13 Unlike traditional lenders, G4i takes a management role in operating the contracts to
14 [completion]...G4i oversees and manages the entire lifecycle of the contract from
15 the bid and award process to the [completion]...of the contract.

16 G4i has a first lien position on all loans and has a bank lockbox that protects and
17 directs monthly cash flows from the contract to G4i. Our fees and loans are 100%
18 secured by the Federal Government contract and all assets are register and recorded
19 with the Department of State.

20 G4i has procured well over \$260,000,000 in Federal Government contracts and
21 awards for qualified small and large business in the Federal Government contracting
22 market place...

23 5. As further explained on the home page of the First Website:

24 Whether it's assembling jet fighters, building bridges, constructing hospitals or even
25 counting turtles on a beach, there is a contract in place for anything the federal, state
26 or municipal government needs.

27 Before a contractor is eligible to win a job, they must prove that they have all the
28 funds needed to get the project started on hand and available (often times needing as
29 much as \$2 Million to \$10 Million or more upfront) or they will not be awarded the
30 contract.

31 Most people think that when a contractor wins a \$62 Million Federal Health Care
32 Contract (as G4i did recently), that the full \$62 Million is handed over by the
33 government in a lump sum.

34 This is certainly not the case.

1 In this example of a 5 year contract, that \$62 Million will be divided evenly over the
2 60 months. That means roughly \$1 Million per month is paid to the contractor from
3 the government.

4 When \$2.5 Million to \$3 Million is needed for operating expenses the first month
5 and the first monthly payment of \$1 Million from the government doesn't come
6 until the 4th month (90 day delay), additional funding is obviously needed.

7 However, if most of our funds are tied up in this project to get it started, along with
8 our other active projects that required initial funding, we will likely not have the
9 funds available to win the "next" contract requiring \$2.5 Million to \$3 Million (or
10 whatever amount needed) to get started.

11 This is why we need your help.

12 **B. The Investments & Respondent's Advertising and General Solicitation for**
13 **Arizona Investors**

14 6. At all relevant times, Respondent publically offered and sold "secure, high yield
15 investments" within Arizona called "Secured Commercial Contract Loan[s]" to raise a pool of
16 capital to fund Respondent's government Contract Business operations (the "Investment(s)").

17 7. The Investments have not been registered by the Commission as securities to be
18 offered or sold within Arizona.

19 8. From approximately July 2011 to least September 14, 2011, Respondent publicly
20 advertised and engaged in general solicitation for investors within Arizona by offering and
21 describing the Investments on Respondent's First Website.

22 9. At all relevant times, the home page of the First Website further stated:

23 We are seeking private investor funds in the form of collateralized
24 commercial loans that pay monthly interest payments with a \$10,000
25 minimum investment on a 12, 18 or 24 month term & are more than willing
26 to pay you 12.05% to 21.07% APY [or annual percentage yield on your
principal Investment] for it.

10. At all relevant times, the "G4i FREQUENTLY ASKED QUESTIONS" or "FAQ"
page of the First Website stated that the Investments would provide investors with returns in the
form of monthly interest payments, with the principal Investment amount being repaid to investors
by Respondent at the conclusion of the one to two year Investments.

1 11. From approximately July 2011 to at least September 14, 2011, the First Website
2 included a detailed Investment "Rate Chart" page that provided potential Arizona investors with
3 varying rates of promised returns in written, spreadsheet form depending on: (a) twelve, eighteen
4 or twenty-four month Investment term lengths; and (b) the amount of the principal Investment. For
5 instance, the Rate Chart page stated that principal Investments amounts of between \$90,000 and
6 \$99,999 could earn an investor a "Full Term Return on Investment (ROI)" of 12.05% for a twelve
7 month Investment, and a ROI of 41.70% for a two year Investment.

8 12. At all relevant times, the Rate Chart page of the First Website further provided
9 potential Arizona investors with "Monthly & Full Term Interest Income Examples" stating that, for
10 instance, a two year Investment in the principal amount of \$1,000,000 would provide the investor
11 with monthly interest payments of \$17,560, or total interest income of \$421,440.

12 13. From approximately July 2011 to at least September 14, 2011, the FAQ page of the
13 First Website explained to potential Arizona investors why longer Investments paid investors more
14 interest:

15 G4i rewards a higher percentage to the longer terms because we have the ability to
16 fund a second contract with the same funds.

17 From an internal operational side, our contracts require 4% to 5% of the total value
18 of the Government contract up-front...

19 12.05% is the maximum we are able to pay out in such a short window and is why
20 we elected to pay that amount regardless of amount invested on the 12 month term
21 option. In other words, we only have the ability to fund a single contract in that time
22 period as opposed to 2 contracts with the 24 month term.

23 14. From approximately July 2011 to at least September 14, 2011, both the home and
24 Rate Chart pages of the First Website included a link titled "Get Started Now – Investment
25 Application" which when clicked, took a potential Arizona investor to another page titled
26 "Investment Application-Instructions."

 15. From approximately July 2011 to at least September 14, 2011, the Investment
Application page included a form titled "G4i GCF Investment Application" wherein potential

1 Arizona investors were encouraged to provide Respondent with the potential investors' contact
2 information to receive from Respondent an "official" Investment "contract" within "12 to 24
3 business HOURS," and a sample government Contract.

4 16. The Investment Application page further instructed a potential Arizona investor to
5 select on the form the term and principal amount of the desired Investment, review the Investment
6 "contract" when received, and to call Respondent "with any questions you may have, sign it and
7 send it back with your investment amount."

8 17. From on or about July 2011 to at least September 14, 2011, Respondent also
9 advertised the Investments and conducted a general solicitation for Arizona Investment investors
10 on another website at www.gcfinvestmentgroup.com. ("Second Website"). The Second Website
11 similarly included a form that Arizona investors were encouraged to complete to receive additional
12 Investment information from Respondent.

13 18. Respondent de-published the First and Second Websites sometime after September
14 14, 2011.

15 **C. The Potential Arizona Investor and Written Investment Offering Documents**

16 19. In July 2011, an Arizona resident (the "Arizona Resident") viewed the First and
17 Second Websites from Arizona. The Arizona Resident completed the form on the "Investment
18 Application" page of the First Website as instructed, and asked for additional Investment
19 information.

20 20. In response, Respondent's director of business development sent an email to the
21 Arizona Resident on July 26, 2011 (the "Investment Solicitation Email"), that stated, in part:

22 Thank you for your interest in G4i!
23 For your review I have attached the following documents:
24 Two Awarded Federal Government Health Care Contracts
Loan & Security Agreements
General information on G4i

25 The Investment Solicitation Email included a link to the First Website, and a link to another
26 website that discussed Respondent's Contract Business and expertise in greater detail.

1 21. Attached to the Investment Solicitation Email were: (a) two Contracts awarded to
2 companies affiliated with G4i in 2010; (b) a seven page "Secured Commercial Contract Loan" (the
3 "Investment Contract"); (c) a nine page security agreement; (d) a three page document titled "G4i
4 Experienced" that describes Respondent's government Contract operations and expertise; (e) a two
5 page color document titled "G4i-Corporate Vision & Mission Statement" describing Respondent's
6 Business goals and technological advantages over competitors; and (f) a detailed sixty-three page
7 document that describes the benefits of investing in Respondent's government Contract Business
8 and Business operations (collectively, the "Written Investment Offering Documents"). At no time
9 did the Arizona Resident speak to any of G4i's employees or agents.

10 22. The Investment Contract indicates that the Arizona Resident could purchase an
11 Investment by executing the Investment Contract, selecting a desired Investment term length and
12 principal amount, and delivering the executed Investment Contract and money to Respondent at an
13 office address located in Virginia or via email.

14 **D. The Arizona Investor**

15 23. Respondent issued and sold an Investment to one Arizona resident totaling \$17,000
16 in September 2011 (the "Arizona Investor").

17 24. The Arizona Investor learned about Respondent's Business and the Investments by
18 locating and viewing the First Website from Arizona.

19 25. The Arizona Investor called the telephone number listed on the home page of the
20 First Website to obtain additional Investment information, and he spoke to Respondent's agent.

21 26. Thereafter, the agent provided the Arizona Investor with a set of the Written
22 Investment Offering Documents discussed above via an Investment Solicitation Email. The agent
23 eventually sold the Investment to the Arizona Investor

24 27. Respondent repaid the Arizona Investor a total of \$19,180.52.
25
26

1 **E. General Investment Allegations**

2 28. At all times relevant, Respondent represented to Arizona Investment offerees
3 and/or Investors that Respondent would manage the essential elements of the Contract Business,
4 without limitation: (a) assist with the selection, negotiation, and procurement of government
5 Contracts; (b) fund Contract operations; and (c) assist the parties to the Contract in the performance
6 of their contractual duties.

7 29. At all times relevant, Respondent represented to offerees and investors that
8 Respondent's ability to repay investors their principal investments and promised profits, and the
9 investors' risk of loss of their investments would be interwoven with and primarily dependent on
10 Respondent's government Contract experience and expertise, and Respondent's ability to profitably
11 originate and/or manage the Contracts.

12 **II.**

13 **CONCLUSIONS OF LAW**

14 1. The Commission has jurisdiction over this matter pursuant to Article XV of the
15 Arizona Constitution and the Securities Act.

16 2. Respondent offered or sold securities within or from Arizona, within the meaning of
17 A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

18 3. Respondent violated A.R.S. § 44-1841 by offering or selling securities that were
19 neither registered nor exempt from registration.

20 4. Respondent violated A.R.S. § 44-1842 by offering or selling securities while neither
21 registered as dealers or salesmen nor exempt from registration.

22 5. Respondent's conduct is grounds for a cease and desist order pursuant to A.R.S.
23 § 44-2032.

24 6. Respondent's conduct is grounds for administrative penalties under A.R.S. § 44-
25 2036.

III.

ORDER

THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and Respondent's consent to the entry of this Order, attached and incorporated by reference, the Commission finds that the following relief is appropriate, in the public interest, and necessary for the protection of investors:

IT IS ORDERED, pursuant to A.R.S. § 44-2032, that Respondent, and any of Respondent's agents, employees, successors and assigns, permanently cease and desist from violating the Securities Act.

IT IS FURTHER ORDERED that Respondent comply with the attached Consent to Entry of Order.

IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that Respondent shall pay an administrative penalty in the amount of \$2,500. Payment is due in full on the date of this Order. Payment shall be made to the "State of Arizona." Any amount outstanding shall accrue interest from the date judgment is entered at the rate of 10 percent per annum.

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1 IT IS FURTHER ORDERED, that if Respondent fails to comply with this order, the
2 Commission may bring further legal proceedings against that Respondent, including application to
3 the superior court for an order of contempt.

4 IT IS FURTHER ORDERED that this Order shall become effective immediately.

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION
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7

8 CHAIRMAN

COMMISSIONER

9
10 COMMISSIONER

COMMISSIONER

COMMISSIONER

11
12 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
13 Executive Director of the Arizona Corporation Commission,
14 have hereunto set my hand and caused the official seal of the
Commission to be affixed at the Capitol, in the City of
Phoenix, this ____ day of _____, 2012.

15
16
17 ERNEST G. JOHNSON
18 EXECUTIVE DIRECTOR

19
20 DISSENT

21
22 DISSENT

23 This document is available in alternative formats by contacting Shaylin A. Bernal, ADA
24 Coordinator, voice phone number 602-542-3931, e-mail sabernal@azcc.gov.
25
26

CONSENT TO ENTRY OF ORDER

1
2 1. Respondent G4i CAPITAL PARTNERS, INC. (d.b.a., a.k.a. "G4i" and "GCFI
3 GROUP") ("G4i"), a Delaware corporation ("Respondent"), admits the jurisdiction of the
4 Commission over the subject matter of this proceeding. Respondent acknowledges that
5 Respondent has been fully advised of Respondent's right to a hearing to present evidence and call
6 witnesses and Respondent knowingly and voluntarily waives any and all rights to a hearing before
7 the Commission and all other rights otherwise available under Article 11 of the Securities Act and
8 Title 14 of the Arizona Administrative Code. Respondent acknowledges that this "Order To Cease
9 And Desist, Order For Restitution, [and] Order For Administrative Penalties..." ("Order")
10 constitutes a valid final order of the Commission.

11 2. Respondent knowingly and voluntarily waives any right under Article 12 of the
12 Securities Act to judicial review by any court by way of suit, appeal, or extraordinary relief
13 resulting from the entry of this Order.

14 3. Respondent acknowledges and agrees that this Order is entered into freely and
15 voluntarily and that no promise was made or coercion used to induce such entry.

16 4. Respondent understands and acknowledges that Respondent has a right to seek
17 counsel regarding this Order, and that Respondent has had the opportunity to seek counsel prior to
18 signing this Order. Respondent acknowledges and agrees that, despite the foregoing, Respondent
19 freely and voluntarily waives any and all right to consult or obtain counsel prior to signing this
20 Order.

21 5. Respondent neither admits nor denies the Findings of Fact and Conclusions of Law
22 contained in this Order. Respondent agrees that Respondent shall not contest the validity of the
23 Findings of Fact and Conclusions of Law contained in this Order in any present or future
24 proceeding in which the Commission or any other state agency is a party concerning the denial or
25 issuance of any license or registration required by the state to engage in the practice of any business
26 or profession.

1 6. By consenting to the entry of this Order, Respondent agrees not to take any action or
2 to make, or permit to be made, any public statement denying, directly or indirectly, any Finding of
3 Fact or Conclusion of Law in this Order or creating the impression that this Order is without factual
4 basis. Respondent will undertake steps necessary to assure that all of Respondent's agents and
5 employees understand and comply with this agreement.

6 7. While this Order settles this administrative matter between Respondent and the
7 Commission, Respondent understands that this Order does not preclude the Commission from
8 instituting other administrative or civil proceedings based on violations that are not addressed by
9 this Order.

10 8. Respondent understands that this Order does not preclude the Commission from
11 referring this matter to any governmental agency for administrative, civil, or criminal proceedings
12 that may be related to the matters addressed by this Order.

13 9. Respondent understands that this Order does not preclude any other agency or
14 officer of the state of Arizona or its subdivisions from instituting administrative, civil, or criminal
15 proceedings that may be related to matters addressed by this Order.

16 10. Respondent agrees that Respondent will not apply to the state of Arizona for
17 registration as a securities dealer or salesman or for licensure as an investment adviser or
18 investment adviser representative until such time as all restitution and penalties under this Order are
19 paid in full.

20 11. Respondent agrees that Respondent will not exercise any control over any entity that
21 offers or sells securities or provides investment advisory services within or from Arizona until such
22 time as all restitution and penalties under this Order are paid in full.

23 12. Respondent agrees that Respondent will continue to cooperate with the Securities
24 Division including, but not limited to, providing complete and accurate testimony at any hearing in
25 this matter and cooperating with the state of Arizona in any related investigation or any other
26 matters arising from the activities described in this Order.

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GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

NOTICE OF FILING OF PROPOSED OPEN MEETING AGENDA ITEM

Mike Dailey
Attorney for the Securities Division of the
Arizona Corporation Commission

Decision No. _____

I hereby certify that I have this day served the foregoing document on all parties of record
in this proceeding by mailing a copy thereof, properly addressed with first class postage prepaid to:

G4i Capital Partners, Inc.
C/O David L. Webb
512 Overlook Drive
North Palm Beach Florida 33408
Respondent Pro Se

Dated:

3/30/12

By:

Julie L. Dudge